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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 1229, JANUARY 14, 1976

1. SUMMARY. DIFFICULT CHOICES CONFRONT GOF IN FORMING
NEAR-TO MEDIUM-TERM ECONOMIC POLICY. WHILE THEY ARE
DOUBTLESS ANXIOUS TO EASE POLITICAL PRESSURES STEMMING
FROM STILL-RISING UNEMPLOYMENT RATE, FRENCH OFFICIALS
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DO NOT APPEAR TO HAVE LOST THEIR PREOCCUPATION WITH

INFLATION AND EXTERNAL BALANCE, VIEWING THEM AS PRINCIPAL CHALLENGES IN A POST-RECESSION PERIOD. CONTINUING WAGE PRESSURES AND WORRISOME STATE OF CORPORATE FINANCE ADD FURTHER COMPLICATIONS. ON BALANCE, GOF APPEARS DETERMINED TO KEEP NASCENT FRENCH ECONOMIC RECOVERY FROM GETTING OUT OF HAND; BUT AMBIVALENCE INHERENT IN THAT POSITION COULD PRODUCE DISPARITY AMONG OFFICIALLY-EXPRESSED "PRIORITIES" FOR SOME TIME TO COME. END SUMMARY.

2. ECONOMIC POLICY FOR 1976: BACKING AND FILLING --

IN THE WAKE OF PRIVATE-SECTOR WARNINGS ON THE PRECARIOUS NATURE OF ECONOMIC REVIVAL IN FRANCE (SEE REFTEL), GOF HAS ELABORATED FURTHER ON TYPE OF ANTI-INFLATION/ANTI-RECESSION POLICIES IT EXPECTS TO PURSUE IN 1976. AS INDICATORS OF OFFICIAL ECONOMIC PRIORITIES SUCH PRONOUNCEMENTS SHOW CONSIDERABLE AMBIGUITY. IN JANUARY 13 PRESS CONFERENCE, PRIME MINISTER CHIRAC WARNED AGAINST ANY EFFORT TO "SATISFY ALL DEMANDS" AS FRENCH ECONOMY BEGINS TO REVIVE, ADDING THAT "INFLATION REMAINS THE BIG DANGER FOR THIS YEAR." ON SAME DAY FINANCE MINISTER FOURCADE WAS SAYING THAT FRENCH INDUSTRIALISTS WERE THE PRINCIPAL VICTIMS OF CURRENT ECONOMIC CRISIS (ASIDE FROM WHAT HE ESTIMATED TO BE THE 150,000 PERSONS "DEPRIVED OF JOBS FOR ECONOMIC REASONS" -- IMPLYING THAT MORE THAN 85 PERCENT OF THE CURRENT NUMBER OF REGISTERED UNEMPLOYED CANNOT BE SO CONSIDERED). HOWEVER, ON JANUARY 21, PRESIDENT GISCARD DECLARED FULL EMPLOYMENT TO BE THE PRINCIPAL OBJECTIVE OF GOF'S MEDIUM-TERM POLICIES (AS REFLECTED IN SEVENTH ECONOMIC PLAN - SEE PARA. 3 BELOW).

FOURCADE'S CONCERN WITH CURRENT STATE OF CORPORATE FINANCES IN FRANCE (AND, BY EXTENSION, WITH INHIBITING EFFECTS ON INVESTMENT SPENDING AND ECONOMIC EXPANSION GENERALLY) WAS DEMONSTRATED WHEN HE SAID HE WOULDN'T RULE OUT POSTPONEMENT, AND IN SOME CASES EVEN FORGIVENESS, OF CORPORATE AND PERSONAL TAX INSTALLMENTS DUE

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FEBRUARY 15 "IF THE ECONOMIC SITUATION SO WARRANTS." IN ADDRESS TO PARIS CHAMBER OF COMMERCE JANUARY 19 HE PROMISED FURTHER ASSISTANCE, IN THE FORM OF GRANTS BY ECONOMIC AND SOCIAL DEVELOPMENT FUND (FDES), TO AID "RE-STRUCTURING AND DEVELOPMENT" OF FINANCIALLY-PRESSED FIRMS. (MORE THAN 700 MILLION FRANCS WERE DISBURSED IN 1975 FOR THIS TYPE OF ASSISTANCE.) MOREOVER, FOURCADE SAID STEPS WOULD BE TAKEN TO PROVIDE EASIER

ACCESS TO CAPITAL MARKETS FOR BOTH LARGE AND SMALL FIRMS.

FOURCADE ALSO REITERATED GOF'S LONG-STANDING PREOCCUPATION WITH PRICE INFLATION, INDICATING THAT "SOME FORM OF INCOMES POLICY" MAY HAVE TO BE INCLUDED IN THE SEVENTH ECONOMIC PLAN. HE FIXED THE OFFICIAL INFLATION "TARGET" FOR 1976 AT 0.5-0.7 PERCENT MONTHLY (6 TO 8.5 PERCENT ANNUALLY), BUT SAID GOF HOPES TO MAINTAIN WAGE-EARNERS' OVERALL PURCHASING POWER DURING CURRENT YEAR AND IMPROVE THAT FOR LOW-PAID GROUPS.

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THROUGHOUT, FOURCADE STRESSED IMPORTANCE OF OFFICIAL ANTI-INFLATION POLICIES AND WAGE-PRICE "DISCIPLINE" AS PRE-CONDITIONS FOR MAINTAINING STRENGTH OF FRANC, WHICH IN TURN HE TERMED ESSENTIAL FOR RENEWED GROWTH OF FRENCH ECONOMY.

NOTWITHSTANDING HIS ANXIETIES, FOURCADE NEVER-THELESS PROCLAIMED "WE ARE ON THE PATH TO RECOVERY" WITH REGARD TO UNEMPLOYMENT, INFLATION AND FOREIGN-TRADE OUTLOOK. IN A SPEECH GIVEN IN BRITTANY JANUARY 18, UNCLASSIFIED

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CHIRAC WAS EVEN MORE UPBEAT: REVISING HIS MONTHS-OLD "LIGHT AT THE END OF THE TUNNEL" THESIS, HE SAID "WE ARE OUT OF IT NOW."

3. 1976-80 ECONOMIC PLAN SAID TO FOCUS ON UNEMPLOYMENT --

FRANCE'S SEVENTH ECONOMIC PLAN (FOR THE FIVE-YEAR PERIOD FROM 1976 THROUGH 1980) WILL AIM FOR FULL EMPLOYMENT AS ITS PRINCIPAL OBJECTIVE, ACCORDING TO STATEMENT BY PRESIDENT GISCARD BEFORE NATIONAL PLANNING COUNCIL JANUARY 20. THE MEETING MARKED AN END TO LENGTHY PROCESS OF CONSULTATIONS BETWEEN PLANNING COUNCIL AND VARIOUS INTEREST GROUPS THROUGHOUT FRANCE; THE NEXT DAY DELIBERATIONS ON PLAN WERE BEGUN BY COUNCIL OF MINISTERS, AS PRELIMINARY TO PARLIAMENTARY PRESENTATION THIS SPRING.

AS DESCRIBED IN COUNCIL OF MINISTERS' COMMUNIQUE OF JANUARY 21, MAIN ORIENTATION OF PLAN SHIFTED TOWARD "HIGH-GROWTH OPTION" OF 5.7 TO 5.8 PERCENT AVERAGE ANNUAL GROWTH IN REAL TERMS, IN ORDER TO REALIZE FULL-EMPLOYMENT OBJECTIVE OVER NEXT FIVE YEARS. "SLOWER-GROWTH OPTION" (5 TO 5.5 PERCENT) THUS OSTENSIBLY REJECTED ON GROUNDS OF PRESIDENTIAL DESIRE FOR IMPROVEMENT IN FRENCH UNEMPLOYMENT SITUATION. GROWTH IN BOTH LABOR FORCE AND PRODUCTIVITY AS WELL AS QUALITY OF FRENCH INDUSTRIAL PLANT CITED AS MAKING PLAN'S GOALS ATTAINABLE, AS IS "IMPROVEMENT IN THE INTERNATIONAL OUTLOOK." HOWEVER, MAINTAINING COMPETITIVENESS OF FRENCH ECONOMY EQUALLY STRESSED, PREMISED ON "MODERATION" IN GROWTH OF PRICES AND WAGES. TO ENCOURAGE SUCH MODERATION, COMMUNIQUE STATES, TAX RATES SHOULD NOT BE INCREASED -- WITH GROWTH IN OFFICIAL REVENUES TO BE COVERED BY EXTENDING EFFECTIVE TAX BASE (PRIMARILY THROUGH TIGHTER

ENFORCEMENT).

ASSESSMENT OF SIGNIFICANCE OF SEVENTH PLAN MUST
TAKE INTO ACCOUNT RELATIVELY LIMITED IMPACT ON GOF
MONETARY AND FISCAL POLICIES OF MOST OF SIX PRECEDING
PLANS. EVEN ASSUMING GISCARD HAS OVERCOME HIS AVERSION
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TO SUCH EXERCISES, EVIDENCED IN HIS DAYS AS FINANCE
MINISTER, EXPERIENCE OF 1974-76 RECESSION HAS SHOWN
HOW ABRUPTLY SHORT-TERM POLICY CAN SHIFT AWAY FROM
MEDIUM-TERM DESIDERATA.

AT MOST, CURRENT THRUST OF PLAN REVEALS GOF
INTENTION TO AVOID ANY POST-RECESSION "BOOM" AND
INFLATIONARY PRESSURES WHICH WOULD ENSUE. ALTHOUGH
PROJECTED 5.7-5.8 PERCENT GROWTH TRACK BEARS "HIGH-
GROWTH" LABEL, IT IS IN FACT EQUIVALENT TO HISTORICAL
TREND FOR 15 YEARS PRIOR TO 1974 (AND IS CONSIDERABLY
LESS THAN WHAT WAS BEING CALLED THE "HIGH-GROWTH"
OPTION -- AN 8 TO 9 PERCENT RANGE -- ONE YEAR AGO).
GIVEN CURRENT LEVELS OF UNEMPLOYMENT AND EXCESS
CAPACITY IN FRENCH INDUSTRY, PLANNED GROWTH THUS DOES
NOT APPEAR TO PROMISE RAPID RE-ABSORPTION OF EITHER
LABOR OR CAPITAL -- FOR IT IS LIKELY THAT RE-ABSORPTION
EVEN OVER THREE TO FOUR YEARS WOULD NOW REQUIRE GROWTH
RATES IN EXCESS OF 10 PERCENT PER ANNUM. INDEED IT
SUGGESTS, BY INFERENCE, THAT INFLATION CONTROL IS AS
MUCH AT THE TOP OF GISCARD'S LIST OF ECONOMIC PRIORI-
TIES COMING OUT OF RECESSION AS IT WAS GOING IN.

4. WAGE PRESSURES COMPLICATE ANTI-INFLATION POLICIES --

ONE OF THE MAIN FACTORS EXERTING UPWARD PRESSURE
ON PRICES IN FRANCE DURING 1975 CLEARLY WAS INCREASE
IN WAGES. JANUARY 1 HIKE IN MINIMUM WAGE (REFTEL)
AMOUNTED TO 17 PERCENT INCREASE SINCE BEGINNING
OF 1975; BUT AVERAGE LEVEL OF MINIMUM WAGE FOR 1975
WAS 19.2 PERCENT ABOVE 1974 LEVEL. AS MINIMUM WAGE
(S.M.I.C.) ACCOUNTS DIRECTLY FOR ONLY A FRACTION OF
TOTAL WAGE STRUCTURE, OVERALL WAGE INDEX FOR 1975

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REGISTERED GAIN OF 15.3 PERCENT OVER 1974 AVERAGE.

AFTER ADJUSTMENT FOR INFLATION, AVERAGE INCREASE
IN REAL WAGES AMOUNTED TO 4.6 PERCENT IN 1975 -- ONLY
MARGINALLY LESS THAN 4.7 PERCENT GAIN IN 1974. SUCH
FIGURES ARE BASED ON WAGE RATES, NOT ACTUAL INCOME,
AND SHOULD THEREFORE BE SCALED DOWNWARD TO REFLECT
DECLINE IN HOURS WORKED. WITH SUCH ADJUSTMENT,
AVERAGE INCREASE IN REAL WAGE-BASED INCOMES AMOUNTED
TO ROUGHLY 2.6 PERCENT IN 1975, COMPARED TO 3.5 PER-
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CENT IN 1974.

ACCORDING TO LATEST OFFICIAL STATEMENTS (PARA. 3 ABOVE), GOF INTENDS TO HOLD THIS INCREASE TO ZERO IN 1976 WHILE ALLOWING FURTHER GAINS FOR LOWEST-PAID GROUPS (LARGELY THOSE RECEIVING MINIMUM WAGE). THE PROBLEM IS THAT MANY WAGE AND SALARY CONTRACTS IN FRANCE ARE KEYED TO INCREASES IN S.M.I.C. -- ITSELF KEYED TO INCREASES IN CPI -- SO THAT "RATCHET EFFECT" ON WAGES MAY RESULT DESPITE BEST OF GOF'S INTENTIONS.

5. SURVEYS SHOW MORE BUOYANCY IN BUSINESS CLIMATE --

BANK OF FRANCE SURVEY OF FRENCH ECONOMY, CONDUCTED DURING FIRST HALF OF JANUARY, INDICATED MARKED UPTURN IN INDUSTRIAL PRODUCTION IN DECEMBER DESPITE NUMEROUS BUSINESS CLOSINGS FOR YEAR-END HOLIDAYS. DOMESTIC DEMAND WAS SAID TO SHOW CONTINUED STRENGTHENING, AND SOME INCREASES IN FOREIGN ORDERS HAVE BEGUN TO BE REGISTERED. WITH LEVEL OF UNFILLED ORDERS ON THE RISE AND INVENTORIES OF FINISHED GOODS DECLINING, MOOD AMONG BUSINESSMEN WAS SAID TO BE INCREASINGLY OPTIMISTIC.

JANUARY SURVEY OF BUSINESS OPINION CONDUCTED BY INSEE (NATIONAL STATISTICS INSTITUTE) LIKEWISE INDICATED FURTHER BRIGHTENING IN INDUSTRIAL SITUATION AND OUTLOOK. WHEREAS UPTURN IN PRODUCTION HAS UNTIL NOW BEEN LARGELY CONFINED TO CONSUMER-GOODS SECTOR, INSEE REPORTS RESUMED GROWTH NOW SPREADING TO OTHER SECTORS OF THE ECONOMY. INVENTORIES OF FINISHED GOODS ARE JUDGED TO BE NEAR NORMAL IN ALL BRANCHES OF INDUSTRY, BUT OVERALL IMPROVEMENT IN LEVEL OF UNFILLED ORDERS CONCEALS WIDE DIFFERENCES AMONG SECTORS.

BEYOND SUCH BRIGHT SPOTS, BOTH SURVEYS CONTAIN IMPORTANT QUALIFICATIONS. OVERALL LEVEL OF INDUSTRIAL OUTPUT, DESPITE GAINS IN DECEMBER, WAS ESSENTIALLY UNCHANGED FROM END-1974 TO END-1975. MORE SERIOUSLY, ACCORDING TO BANK OF FRANCE, LEVEL OF EXCESS CAPACITY REMAINS SUBSTANTIAL THROUGHOUT INDUSTRY, WHILE POOR PROFIT RECORD OF 1975 AND CURRENT WEAKNESS OF CORPORATE

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FINANCES (SEE REFTEL AND PARIS 33861 OF 1975) CONTINUES TO PUT DAMPER ON INDUSTRIALISTS' OWN PRODUCTION AND INVESTMENT INTENTIONS. THUS BOF PROJECTS RATHER SLOW GROWTH IN OUTPUT DURING FIRST QUARTER. INSEE, HOWEVER, DESCRIBES CURRENT OUTLOOK AS "STRONGLY ORIENTED TOWARD EXPANSION" AND FORESEES PRODUCTION INCREASES IN MOST BRANCHES OF INDUSTRY DURING COMING MONTHS -- TOGETHER WITH PARALLEL ESCALATION OF PRODUCER PRICES

AT ROUGHLY A 7 PERCENT ANNUAL RATE.

6. LABOR MARKET SHOWS FOURTH-QUARTER IMPROVEMENT --

THE NUMBER OF REGISTERED UNEMPLOYED (SEASONALLY-ADJUSTED) DECREASED SLIGHTLY DURING DECEMBER TO 921,200 AT MONTH'S END. AT THE SAME TIME NUMBER OF UNFILLED JOB OFFERS ROSE MORE THAN 7 PERCENT TO 106,600, RETURNING TO LEVEL OF LAST APRIL. ON BASIS OF AVAILABLE DATA, WE ESTIMATE SEASONALLY-ADJUSTED UNEMPLOYMENT TO BE UNCHANGED IN DECEMBER AT ROUGHLY 4.2 PERCENT OF THE LABOR FORCE (SEE PARIS A-322 OF 1975 FOR METHODOLOGY).

LABOR MARKET INDICATORS - 1975
(AVERAGE LEVEL FOR PERIOD IN THOUSANDS, CHANGES
IN PERCENT OVER PREVIOUS; QUARTERLY DATA
SEASONALLY ADJUSTED)

75-I 75-II 75-III 75-IV YEAR

REGISTERED

UNEMPLOYED 730.6 836.5 877.2 915.6 839.7

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8CHANGE) KQIMUL KQRMTL (4.9) (4.4) (68.6)

UNFILLED
JOB OFFERS 128.8 105.0 QPEMT QPWM3 109.3
(CHANGE) (-10.4) (-18.5) (-1.4) (-1.1) (-46.6)

ESTIMATED
UNEMPLOYMENT
AS PERCENT OF
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LABOR FORCE 3.E EMI RMP RM2 3.8

AS SHOWN ABOVE, FOURTH QUARTER WITNESSED CONTINUED
SLOW BOTH IN RATE OF INCREASE IN REGISTERED UNEMPLOY-

MENT AND IN RATE OF DECLINE IN UNFILLED JOB OFFERS.
AVERAGE RATE OF UNEMPLOYMENT IN 1975 (ROUGHLY
3.8 PERCENT) WAS WELL ABOVE 2.1 PERCENT AVERAGE FOR
FIVE PRECEDING YEARS. OUTLOOK FOR 1976 IS ONE OF
CONTINUED INCREASES IN NUMBER OF UNEMPLOYED. THIS
BECAUSE OF PROBABLE SIZE OF GAP NOW EXISTING BETWEEN
ACTUAL AND POTENTIAL OUTPUT, AND OF CUSTOMARY LAG
(USUALLY OVER A YEAR) BETWEEN CLOSING OF SUCH GAPS AND
EVENTUAL \$92,574, 8N UNEMPLOYMENT LEVELS. AS NOTED
ABOVE, GOF SEEMS INTENT ON KEEPING ECONOMIC RECOVERY
TO RATHER MODEST PROPORTIONS, SO THAT MEANINGFUL REDUC-
TION IN NUMBER OF FRENCHMEN OUT OF WORK PROBABLY CANNOT
BE EXPECTED BEFORE 1977 AT EARLIEST. IZI
PLOYMENT
RISES IN 1976 AT SAME RATE AS IN FOURTH QUARTER 1975,
AVERAGE FOR YEAR WILL BE ROUGHLY 4.6 PERCENT OF LABOR
FORCE.

7. FF 5.7 BILLION TRADE SURPLUS RECORDED IN 1975 --

YEAR-END DECLINE IN IMPORTS TOGETHER WITH MODEST INCREASE IN EXPORTS RESULTED IN FURTHER NARROWING OF FRANCE'S MONTHLY TRADE DEFICIT, FROM FF 750 MILLION IN NOVEMBER TO FF 289 MILLION IN DECEMBER (SEASONALLY ADJUSTED, FOB-FOB). IMPORTS DROPPED NEARLY 2 PERCENT TO FF 19.7 BILLION IN DECEMBER, WHILE EXPORTS ROSE 0.5 PERCENT TO FF 19.4 BILLION. FOR 1975, FRENCH FOREIGN-TRADE SURPLUS AMOUNTED TO FF 5.67 BILLION COMPARED TO FF 16.04 BILLION DEFICIT RECORDED IN 1974.)

FRENCH FOREIGN TRADE - 1975
(IN BILLIONS OF FRANCS, FOB-FOB; QUARTERLY
FIGURES SEASONALLY ADJUSTED; CHANGES IN
PERCENT OVER PREVIOUS PERIOD)

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	75-I	75-II	75-III	75-IV	YEAR
IMPORTS	56.7	51.1	54.8	59.4	221.5
(CHANGE)	(-6.0)	(-9.9)	(7.4)	88.3	(-7.4)
EXPORTS	58.5	55.6	57.0	56.8	227.1
8CHANGE)	(1.6)	(-5.0)	(2.4)	(-0.4)	(1.8)
BALANCE	1.9	4.6	2.2	-2.6	5.7
(X/M)	(103.3)	(109.0)	(103.9)	(95.6)	(102.6)

(NOTE: QUARTERLY FIGURES DO NOT ADD TO TOTALS FOR YEAR, DUE TO SEASONAL-ADJUSTMENT ANOMALIES AND TO ROUNDING.)

SEASONALLY-ADJUSTED RATE OF EXPORT COVER WAS 98.5 PERCENT OF IMPORTS IN DECEMBER, BRINGING AVERAGE FOR FOURTH QUARTER (95.6 PERCENT) UP TO LEVEL EQUIVALENT TO THAT IN FOURTH QUARTER 1974. DECLINE IN NOMINAL IMPORTS THROUGH FIRST HALF 1975 -- DOWN 16 PERCENT FROM JUNE 1974 TO JUNE 1975 -- REFLECTED DOWNTURN IN FRENCH ECONOMY AND FALLING DEMAND FOR FOREIGN AS WELL AS DOMESTIC GOODS. APPRECIATION IN FOREIGN-EXCHANGE VALUE OF THE FRANC AND DECLINING WORLD PRICES FOR COMMODITIES (PARA. 8 BELOW) ALSO SERVED TO HOLD DOWN NOMINAL IMPORT FIGURES DURING THE PERIOD. REVERSAL OF THESE TRENDS DURING SECOND HALF 1975 HAS, AS SHOWN IN TABLE ABOVE, RESULTED IN ACCELERATION OF IMPORTS WHILE EXPORTS CONTINUE TO DEVELOP UNEVENLY.

FOR 1976, IMPORTS ARE LIKELY TO ACCELERATE FURTHER AS INDUSTRIAL STOCKS (A SUBSTANTIAL PROPORTION OF WHICH

ARE IMPORTED GOODS AND MATERIALS) ARE REPLENISHED
IN ANTICIPATION OF ECONOMIC RECOVERY IN FRANCE. AS
REPORTED PREVIOUSLY, FRENCH EXPORT PROSPECTS ARE
UNCERTAIN . WHILE SOME SURVEYS INDICATE RECENT FIRMING
IN FOREIGN DEMAND, SUSTAINED GROWTH OF FRENCH EXPORTS

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IS STILL CONDITIONED ON ECONOMIC PROSPECTS IN FRANCE'S
EC PARTNERS, ESPECIALLY GERMANY.

8. COMMODITY IMPORT PRICES ON UPSWING --

FRENCH RAW-MATERIAL IMPORT PRICES REGISTERED A 2 PERCENT INCREASE IN DECEMBER, WITH PRICES FOR BOTH INDUSTRIAL RAW MATERIALS AND PRIMARY FOODSTUFFS ON THE UPTURN. OVERALL INSEE PRICE INDEX FOR RAW MATERIALS IMPORTED BY FRANCE SET AT 193.8 IN DECEMBER

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(1968 EQUALS 100). OVER 1975 SUCH PRICES HAD INCREASED BY 6.7 PERCENT, COMPARED TO NEARLY 20 PERCENT DROP IN 1974.

9. INDUSTRIAL OUTPUT RISES SLIGHTLY --

FRENCH INDUSTRIAL PRODUCTION INCREASED SLIGHTLY IN OCTOBER AND NOVEMBER, REACHING LEVEL EQUIVALENT TO THAT OF LAST MARCH AND APRIL. OVERALL INSEE INDEX OF INDUSTRIAL OUTPUT SET AT 112 FOR NOVEMBER (SEASONALLY ADJUSTED, 1970 EQUALS 100), UNCHANGED FROM REVISED OCTOBER INDEX BUT UP SLIGHTLY FROM REVISED FIGURES OF 111 SET FOR JULY THROUGH SEPTEMBER. INCREASE WAS LINKED TO GAINS IN INTERMEDIATE-GOODS SECTOR WHICH, FOR FIRST TIME IN 18 MONTHS, REGISTERED INCREASE IN PRODUCTION (ROUGHLY 3 PERCENT FROM OCTOBER TO NOVEMBER).

FRENCH INDUSTRIAL PRODUCTION
(THREE-MONTH MOVING AVERAGES; SEASONALLY
ADJUSTED, BASE 1970 AS 100)

DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV
118 115 115 114 113 111 111 111 111 111 112

10. BANKRUPTCIES UP 24 PERCENT IN 1975 --

BUSINESS FAILURES INCREASED 24 PERCENT THROUGHOUT FRANCE IN 1975, 16 PERCENT IN THE PARIS REGION. ACCORDING TO INSEE STATISTICS, SECTORS MOST SERIOUSLY AFFECTED BY RISE IN BANKRUPTCIES WERE TRANSPORTATION (UP 44 PERCENT), INDUSTRY (39 PERCENT) AND CONSTRUCTION PUBLIC WORKS (35 PERCENT). INCREASES IN FAILURES IN HOTEL AND RESTAURANT TRADE (14 PERCENT) AND IN GENERAL COMMERCE (10 PERCENT) WERE SUBSTANTIALLY LESS THAN RESPECTIVE FIGURES FOR 1974.

11. GOLD AND FOREIGN EXCHANGE --

FOLLOWING ITALIAN EXCHANGE CRISIS OF JANUARY 21, HEAVY SPECULATION DEVELOPED AGAINST FRANC.

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SINCE MONDAY, JANUARY 25, THE PARIS FOREIGN EXCHANGE MARKET HAS BEEN RELATIVELY CALM WITH LITTLE OR NO OFFICIAL INTERVENTION. PRESS REPORTS INDICATED CUMULATIVE BANK OF FRANCE SUPPORT OF FRANC BY FRIDAY, JANUARY 23, AMOUNTED TO SOME 2.5 BILLION FRANCS NET IN DOLLAR SALES. (FINANCE MINISTER FOURCADE REFUSED TO DISCLOSE, FOR TIME BEING, ACTUAL AMOUNT OF INTERVENTION UNDERTAKEN.) PARIS GOLD PRICE REGISTERED SLIGHT SHIFTS DURING PAST TWO WEEKS BUT IS NOW ESSENTIALLY UNCHANGED FROM TWO WEEKS AGO. FOR FURTHER DETAILS SEE PARIS 0482 AND TELEGRAMS LISTED BELOW.

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NSAE-00 PA-02 USIA-15 PRS-01 SP-02 EB-07 COME-00

FRB-01 TRSE-00 CEA-01 CIEP-02 OMB-01 STR-04 SIL-01

LAB-04 XMB-04 AGR-10 /087 W
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P R 281622Z JAN 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 7266

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 06 OF 06 PARIS 02670

12. OTHER REPORTS SUBMITTED DURING THE PERIOD --

TELEGRAMS

1017 1/13/76 FOURCADE COMMENTS ON INFLATION AND
AND EXCHANGE RATE

1909 1/21/76 EXCHANGE MARKET DEVELOPMENTS

2021 1/22/76 EXCHANGE MARKET DEVELOPMENTS

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2242 1/23/76 EXCHANGE MARKET DEVELOPMENTS

2464 1/26/76 EXCHANGE MARKET DEVELOPMENTS

AIRGRAMS

A-41 1/10/76 FRENCH FOREIGN EXCHANGE HOLDINGS

A-42 1/20/76 FRENCH RESERVES IN DECEMBER 1975

A-45 1/21/76 TRADE WITH COMMUNIST AREAS

A-46 1/21/76 LARRE SPEECH ON IMF GOLD

A-50 1/23/76 FRENCH FOREIGN EXCHANGE HOLDINGS

GAMMON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Copy: SINGLE
Draft Date: 28 JAN 1976
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS02670
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760032-0956
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760114/aaaaaliv.tel
Line Count: 751
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 PARIS 1229
Review Action: RELEASED, APPROVED
Review Authority: hattaycs
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2004 by schwenja>; APPROVED <27 JUL 2004 by hattaycs>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006